

KENTUCKY ECONOMIC INDICATORS

October Indicators as of January 7, 2004

KY Composite Index of Leading Indicators decreased 4.2 percent for October.

- The Leading Index declined for the fourth time this year.
- The Leading Index rose by 0.9 percent over the same month last year.
- Component indicators were mixed losers over gainers 3:2.
 - KY Labor Intensity Index decreased 0.4 percent.
 - + The Conference Board's US Leading Index increased 6.5 percent.
 - + The Index of KY Initial Claims increased 15.9 percent.
 - Retail Sales decreased 0.5 percent.
 - Louisville HWI decreased by 23 points to 50.

KY Composite Index of Coincident Indicators increased 4.5 percent for October.

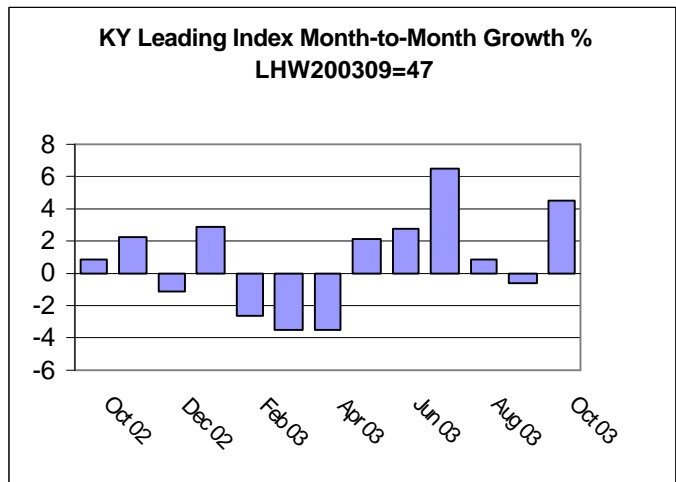
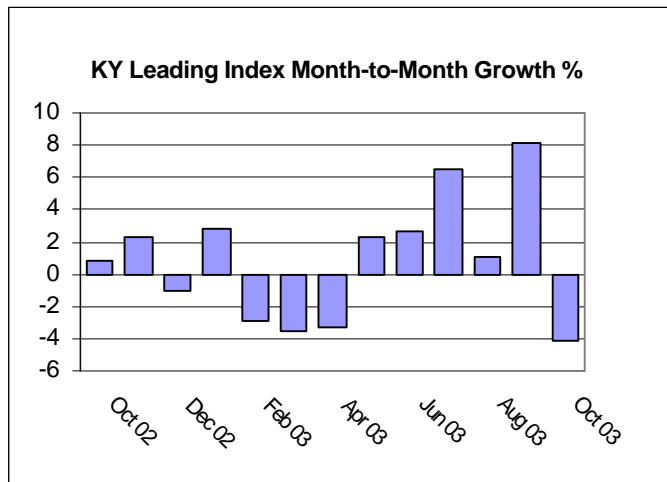
- The Coincident Index increased for the fourth time this year.
- Year over year change was positive for the second consecutive month by 0.4 percent.
- Component indicators were all positive this month.
 - + KY Total Nonagricultural Employment increased by 4.2 percent.
 - + US Personal Income Less Transfers increased by 6.1 percent.
 - + US Industrial Production Index increased 5.0 percent.

The Kentucky Leading Index was negative for the fourth time this year. This was entirely due to the return to normality in the Louisville Help Wanted Index measure after an extremely large jump in September. While the extreme number of Louisville Help Wanted advertisements in September did occur, the pressure that this exerts on the Leading Index may not be indicative of the actual events going on in the rest of the economy. Therefore, it is prudent to examine the KY Leading Index holding this extreme value constant. If the Louisville Help Wanted Index were held constant from August to September, then the KY Leading Index would have fallen to 110.9 for September, a 0.7 percent SAAR decline and increased to 111.3 for October, a 4.5 percent SAAR increase.

The series KY Nonagricultural Employment and KY Manufacturing Employment have been changed. Previously, these series were seasonalized using the Census X12 methodology over the full history of the series (starting date of 1970). For consistency purposes, the Bureau of Labor Statistics (BLS) seasonalized series will now be presented. The BLS also uses Census X12 methodology, but uses a five-to-ten-year rolling history to seasonalize. The BLS series are very consistent with our previous series, but in some cases due to the SAAR calculation, the month-to-month growth rates are impacted noticeably.

The change to the BLS Employment data impacts two other indicators. KY Nonagricultural Employment is a component of the KY Coincident Index. The Coincident Index was impacted by 0.1 to 0.5 units per month. Some signs for month-to-month growth were affected. The KY Leading Index is impacted only in a trivial way, by less than a hundredth of a point in any given month. All other Indicators are left unaffected by this change.

Our indices are compiled and published on a monthly basis, roughly two weeks following the Conference Board release of the U.S. Leading Index. A complete description of the Index of Leading Indicators and methodology was published in the University of Kentucky Center for Business and Economic Research *Kentucky Annual Economic Report, 2000*.



About the Indicators

Kentucky Reference Series

Inflation-adjusted personal income less transfer payments and policy-adjusted general fund tax receipts are combined to form the GOEA composite reference series.

Kentucky Leading Indicators

- **GOEA Labor Intensity Index:** Composed of seasonally adjusted weekly hours multiplied by employment for the following manufacturing industries: Lumber products, chemical and allied products, rubber and plastic products, fabricated metals, and transportation equipment.
- **GOEA Initial Unemployment Insurance (UI) Claims Index:** This index has two components: Kentucky UI claims in their first month of payment and total U.S. initial claims. Additional claims for UI are the subset of initial claims filed by workers who have previously filed UI claims but are currently filing new claims with intermittent workforce attachment since their original claim. The claims in their first month of payment without intermittent qualified experience performed better in the testing process and were chosen accordingly.
- **Louisville Help-wanted Index:** The Conference Board computes an index of help-wanted advertisements for major regions across the United States; Louisville is the only city in Kentucky covered by the Conference Board.
- **U.S. Manufacturing and Trade Sales:** This series outperformed Kentucky sales tax receipts and U.S. total retail sales. Current manufacturing and trade sales help form the basis for business expectations for the immediate short run. Since production and investment do not occur instantaneously, the formation of expectations (manifested through current manufacturing and trade sales) should slightly lead the business cycle.
- **GOEA U.S. Leading Index:** We eliminated two variables, UI Claims and weekly hours, from the U.S. leading index since we already use the Kentucky equivalents. The remaining eight components of the U.S. leading index were tested, eliminating both the interest rate spread and the slower deliveries diffusion index of vendor performance. The remaining six components were then re-indexed by GOEA.

Table Notes:

- 1) Growth rates are computed with precise numbers. Due to rounding, two observations may have the same reported value but still exhibit growth at a more precise level.
- 2) More information is available on our website, www.osbd.state.ky.us.

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**SELECTED KENTUCKY ECONOMIC INDICATORS
SEASONALLY ADJUSTED**

	2002												2003											
	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT											
KY Leading Index (1992=100)	110.7	110.9	110.8	111.1	110.8	110.5	110.2	110.4	110.6	111.2	111.3	112.1	111.7											
% Chg Previous Month SAAR	0.9	2.3	-1.0	2.8	-2.9	-3.5	-3.3	2.3	2.7	6.6	1.1	8.1	-4.2											
% Chg Same Month Last Year	0.4	0.6	0.3	0.4	0.0	-0.4	-0.5	-0.4	-0.6	0.0	0.2	1.3	0.9											
KY Coincident Index (1992=100)	127.6	127.8	127.6	127.9	127.8	127.5	127.1	127.2	127.2	127.3	127.5	127.7	128.2											
% Chg Previous Month SAAR	-1.1	1.2	-1.7	3.4	-0.9	-3.6	-2.8	0.7	-0.1	1.3	1.7	1.8	4.5											
% Chg Same Month Last Year	0.5	0.7	0.6	0.5	0.5	0.0	-0.3	-0.4	-0.8	-0.2	-0.2	0.0	0.4											
KY Nonag Employment (000s)	1,786.4	1,787.6	1,783.3	1,792.5	1,785.3	1,783.1	1,774.6	1,773.0	1,770.9	1,761.2	1,768.2	1,767.3	1,773.3											
% Chg Previous Month SAAR	2.2	0.8	-2.8	6.4	-4.7	-1.5	-5.6	-1.1	-1.4	-6.4	4.9	-0.6	4.2											
% Chg Same Month Last Year	-0.2	-0.2	-0.1	-0.1	-0.2	-0.4	-0.8	-0.8	-0.9	-0.8	-0.9	-0.9	-0.7											
KY Mfg Employment (000s)	274.0	273.0	272.8	272.1	271.8	272.0	269.7	268.9	268.3	269.4	269.3	268.6	269.0											
% Chg Previous Month SAAR	5.9	-4.3	-0.9	-3.0	-1.3	0.9	-9.7	-3.5	-2.6	5.0	-0.4	-3.1	1.8											
% Chg Same Month Last Year	-3.6	-3.4	-3.1	-3.0	-2.7	-2.4	-2.9	-2.7	-2.7	-1.9	-1.8	-1.5	-1.8											
KY Unemployment Rate (%)	5.4	5.5	5.5	5.3	5.7	5.7	5.8	5.7	5.9	6.1	5.8	5.9	5.6											
KY Index of Initial UI Claims	99.6	100.6	98.7	100.3	99.8	98.8	98.4	99.0	99.1	99.8	100.2	100.0	101.2											
% Chg Previous Month SAAR	3.2	12.4	-20.4	21.3	-6.5	-10.6	-5.1	7.7	1.0	9.3	4.1	-2.2	15.9											
% Chg Same Month Last Year	2.9	2.6	-0.6	0.3	-0.7	-0.8	-0.5	-0.7	-1.2	-0.9	-0.2	0.6	1.6											
KY Labor Intensity Index (1992=100)	105.2	105.0	105.3	105.1	105.0	104.3	104.4	104.2	104.2	104.4	104.3	104.3	104.3											
% Chg Previous Month SAAR	-0.5	-2.1	3.1	-2.3	-1.4	-7.7	1.4	-1.7	-0.6	2.8	-0.8	0.0	-0.4											
% Chg Same Month Last Year	-0.2	-0.3	-0.1	-0.1	-0.3	-1.0	-0.8	-0.8	-1.0	-0.9	-0.8	-0.9	-0.9											
Louisville HWI (1992=100)	58.0	57.0	53.0	55.0	60.0	58.0	50.0	47.0	49.0	50.0	47.0	73.0	50.0											
% Chg Previous Month SAAR	0.0	-18.8	-58.2	56.0	184.1	-33.4	-83.2	-52.4	64.9	27.4	-52.4	19610.6	-98.9											
% Chg Same Month Last Year	-10.8	-9.5	-8.6	-8.3	0.0	-13.4	-18.0	-28.8	-31.0	-21.9	-21.7	25.9	-13.8											
G. F. Total Receipts (\$ mill)	570.8	527.2	642.1	635.4	419.7	438.0	696.4	416.4	617.6	470.9	459.6	628.9	530.4											
% Chg Same Month Last Year	13.0	1.3	5.4	14.4	-3.1	1.8	-0.5	-3.1	1.6	8.2	-5.9	-4.1	-7.1											
G. F. Sales & Use Receipts (\$ mill)	217.5	189.0	192.5	233.3	150.6	165.6	199.7	190.2	191.6	208.2	197.3	200.4	213.3											
% Chg Same Month Last Year	10.7	-0.7	-1.2	-1.2	-3.6	-1.3	0.1	0.3	0.1	3.2	-14.7	-0.4	-1.9											
G. F. Income Tax Receipts (\$ mill)	237.7	217.1	227.9	290.9	204.7	117.0	354.4	158.2	267.9	206.6	224.2	273.0	228.1											
% Chg Same Month Last Year	10.2	4.0	-3.2	28.9	-3.7	-0.6	-5.8	1.8	-1.5	10.1	10.0	-2.2	-4.0											

SELECTED U.S. ECONOMIC INDICATORS
SEASONALLY ADJUSTED

	2002												2003			
	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT			
US Leading Index (1982=100)	110.4	111.0	111.2	111.2	110.6	110.5	110.5	111.7	112.1	112.9	113.3	113.3	113.9			
% Chg Previous Month SAAR	0.0	6.7	2.2	0.0	-6.3	-1.1	0.0	13.8	4.4	8.9	4.3	0.0	6.5			
% Chg Same Month Last Year	1.8	1.6	0.6	0.2	-0.4	-0.5	-0.3	0.3	0.8	1.7	2.2	2.6	3.2			
US Coincident Index (1992=100)	115.2	115.3	115.2	115.5	115.1	115.1	115.0	115.1	115.3	115.6	115.6	115.8	116.1			
% Chg Previous Month SAAR	0.0	1.0	-1.0	3.2	-4.1	0.0	-1.0	1.0	2.1	3.2	0.0	2.1	3.2			
% Chg Same Month Last Year	0.4	0.9	0.7	0.8	0.6	0.5	0.3	0.3	0.2	0.3	0.3	0.5	0.8			
US Nonag Employment (mil.)	130.4	130.4	130.2	130.4	130.2	130.1	130.1	130.0	129.9	129.8	129.9	130.0	130.1			
% Chg Previous Month SAAR	1.1	0.0	-1.9	1.5	-1.1	-1.4	-0.2	-0.7	-0.8	-0.5	0.3	0.9	1.3			
% Chg Same Month Last Year	-0.6	-0.4	-0.4	-0.2	-0.2	-0.3	-0.3	-0.3	-0.4	-0.3	-0.3	-0.2	-0.2			
US Unemployment Rate (%)	5.8	5.9	6.0	5.7	5.8	5.8	6.0	6.1	6.4	6.2	6.1	6.1	6.0			
US Initial Claims for UI (000s)	410.6	389.0	410.5	386.7	408.6	423.3	447.2	431.6	425.9	398.5	402.8	404.8	381.2			
% Chg Previous Month SAAR	-16.7	-47.7	90.7	-51.2	93.7	52.8	93.3	-34.7	-14.7	-55.0	13.7	6.1	-51.4			
% Chg Same Month Last Year	-15.5	-14.2	2.0	-3.6	5.0	0.8	3.4	5.8	8.6	3.0	1.3	-2.9	-7.2			
US Industrial Production Index	111.0	111.2	110.6	111.2	111.6	110.8	110.1	110.0	110.0	110.8	110.9	111.5	111.9			
% Chg Previous Month SAAR	-3.2	1.4	-5.7	6.2	4.6	-8.4	-7.1	-0.8	-0.4	9.6	0.3	7.1	5.0			
% Chg Same Month Last Year	1.0	1.6	1.4	1.3	1.5	0.4	-0.6	-0.8	-1.5	-0.6	-0.6	0.1	0.8			
US Per. Income Less Trans. (bil 92\$)	6,863.9	6,874.2	6,893.8	6,887.1	6,873.3	6,860.4	6,882.2	6,908.3	6,917.1	6,929.1	6,930.9	6,930.4	6,964.5			
% Chg Previous Month SAAR	-2.9	1.8	3.5	-1.2	-2.4	-2.2	3.9	4.6	1.5	2.1	0.3	-0.1	6.1			
% Chg Same Month Last Year	0.8	0.9	0.6	0.6	0.2	-0.1	0.5	0.5	-0.1	0.8	0.8	0.7	1.5			
CPI, All Urban (1982-84=100)	181.2	181.4	181.6	182.2	183.3	183.9	183.3	183.3	183.6	183.9	184.5	185.0	185.0			
% Chg Previous Month SAAR	2.0	1.3	1.3	4.0	7.5	4.0	-3.8	0.0	2.0	2.0	4.0	3.3	0.0			
% Chg Same Month Last Year	2.0	2.3	2.4	2.6	3.0	3.0	2.2	2.1	2.1	2.1	2.2	2.3	2.1			
US Retail Sales (bil 84\$)	299.9	301.6	305.8	307.0	302.7	309.6	308.7	310.2	313.1	317.5	320.7	319.6	319.5			
% Chg Previous Month SAAR	7.0	7.0	18.0	4.9	-15.6	30.7	-3.4	6.1	11.9	18.1	12.7	-4.0	-0.5			
% Chg Same Month Last Year	-0.7	2.7	4.3	5.0	3.0	5.4	3.6	5.6	5.1	5.5	6.0	7.2	6.5			
Manufacturing & Trade Sales (000s)	861.4	867.3	870.7	875.3	857.7	868.0	864.1	870.2	880.1	894.5	889.6	893.1	*894.1			
% Chg Previous Month SAAR	3.4	8.5	4.8	6.6	-21.7	15.3	-5.2	8.8	14.5	21.6	-6.4	4.8	1.4			
% Chg Same Month Last Year	1.4	2.5	2.5	2.1	1.0	2.3	0.8	1.6	2.4	3.0	2.6	4.0	3.8			
US Consumer Sentiment (1966=100)	73.1	78.5	80.8	72.8	69.9	69.6	79.3	91.4	86.4	83.7	82.5	80.8	83.0			
% Chg Previous Month AR	-65.6	135.2	41.4	-71.4	-38.6	-5.0	378.6	449.6	-49.1	-31.7	-15.9	-22.1	38.0			
% Chg Same Month Last Year	-3.2	2.5	-1.8	-20.3	-19.8	-24.9	-11.0	-1.4	-1.7	3.3	2.4	1.1	13.5			
Ave. Prime Interest Rate (% NSA)	4.75	4.35	4.25	4.25	4.25	4.25	4.25	4.25	4.22	4.00	4.00	4.00	4.00			